

Message Text

CONFIDENTIAL

PAGE 01 MEXICO 08316 252346Z
ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 AID-05 CIAE-00 COME-00
FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03
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R 252337Z MAY 77
FM AMEMBASSY MEXICO
TO SECSTATE WASHDC 2385
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C O N F I D E N T I A L MEXICO 08316

EO 11652:GDS
TAGS: EFIN MX
SUBJECT: GOM BORROWING

1. SUMMARY: GOM EXTERNAL BORROWING EFFORTS CONTINUE TO MOVE SLOWLY AHEAD WITH \$150 MILLION BANOBRAS ISSUE TO BE SIGNED MAY 24 OR 25 IN LONDON AND \$150-200 MILLION NAFINSA CREDIT BEING PUT TOGETHER BY CITIBANK. ON THE DOMESTIC FRONT, PETROBONDS WERE REPORTEDLY A LIMITED SUCCESS AND BANKS REACT TO INTEREST RATE REFORM BY PAYING MAXIMUM ALLOWABLE INTEREST RATES. END SUMMARY.

2. \$150 MILLION BANOBRAS (GOM-OWNED PUBLIC WORKS BANK) EURODOLLAR FIVE YEAR CREDIT IS TO BE SIGNED IN LONDON ON MAY 24 OR 25. THIS HAS BEEN A VERY BADLY MANAGED ISSUE AND HAS PROBABLY HAD A NEGATIVE IMPACT ON GOM'S EXTERNAL BORROWING EFFORTS. MANDATE FOR LOAN ORIGINALLY GIVEN TO ORION BANK WHICH COULD NOT PUT TOGETHER AN UNDERWRITING GROUP. MEXICAN TREASURY THEN CALLED IN LLOYD'S BANK AND BANKERS TRUST TO ASSIST. UNDERWRITING GROUP HAS SOLD OFF ONLY \$20-30 MILLION. DIFFICULTIES FACED BY LOAN ATTRIBUTED IN PART TO BAD MANAGEMENT BY BANOBRAS AND MINISTRY OF FINANCE IN PART TO PRICING WHICH WAS SAME AS EARLIER AND SUCCESSFUL PEMEX \$350 MILLION EURODOLLAR CREDIT, AND IN
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 MEXICO 08316 252346Z

PART TO MANY BANKS ALREADY HOLDING ALL THE BANOBRAS PAPER THEY CARE TO, OR CAN IN ACCORD WITH LEGAL LENDING LIMITS.

3. BANK OF AMERICA, CITIBANK AND LIBRA ARE PUTTING TOGETHER A TEN-YEAR EURODOLLAR ISSUE FOR NAFINSA (GOM-OWNED DEVELOPMENT BANK. THIS WILL BE A "BULLET" CREDIT WITH BANKS HAVING THE OPTION TO PULL OUT AFTER EVERY TWO

YEARS AND A PREMIUM OVER LIBO THAT INCREASES IN EACH TWO-YEAR PERIOD. MARKET RECEPTION TO THIS ISSUE WILL BE WATCHED CLOSELY. MANY OF MEXICO'S LARGER U.S. BANKERS ARE REPORTED TO HOLD VIRTUALLY ALL OF THE NAFINSA, OR NAFINSA-GUARANTEED PAPER THAT THEY LEGALLY CAN' THEREFORE IT IS EXPECTED THAT CREDIT WILL HAVE TO BE SOLD LARGELY TO EUROPEAN AND SMALLER U.S. BANKS. AMOUNT OF LOAN IS NOT CLEAR. BANKERS HAVE SAID \$300 MILLION; TREASURY OFFICIAL SAID \$150 MILLION WITH HOPES IT WILL GO TO \$200 MILLION. THIS OFFICIAL ALSO SAYS CITIBANK WANTED ISSUE AND CAN ABSORB A REASONABLE AMOUNT OF NAFINSA PAPER.

4. SEVERAL BANKERS HAVE COMMENTED TO FINATT THAT NEXT LARGE PUBLIC SECTOR CREDIT SHOULD BE A UNITED MEXICAN STATES (FEDERAL GOVERNMENT) ISSUE AS THEIR BORROWINGS ARE NOT AS GREAT AS THOSE OF GOM-OWNED BANKS. (AT END-76, FEDERAL GOVERNMENT DEBT OUTSTANDING WAS \$2.9 BILLION, AND GOM-OWNED BANKS DEBT WAS \$6.6 BILLION OUT OF \$20 BILLION TOTAL FOR PUBLIC SECTOR.

5. ON THE DOMESTIC SIDE, PETROBOND ISSUE (SEE MEXICO 4214) HAS REPORTEDLY NOT BEEN AS SUCCESSFUL AS HAD BEEN HOPED WITH SALES TO THE PUBLIC BEING SLOW. WHILE GOMK OWNED BANKS ARE ACTIVELY SELLING THE NONDS, PRIVATE BANKS ARE NOT DOING SO APPARENTLY BECAUSE THEY PREFER TO HOLD THESE AS INVESTMENTS RATHER THAN SELL THEM TO THE PUBLIC IN COMPETITION WITH THEIR DEPOSITS. PAPERS HAVE REPORTED THE ISSUE AS SUCCESSFUL.

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 MEXICO 08316 252346Z

6. RE INTEREST RATE REFORM ANNOUNCED MAY 20, AND REPORTED IN MEXICO 8163, MANY BANKS PUBLISHED ADS IN MAY 24 PAPERS OFFERING THE MAXIMUM RATES. THUS, IMMEDIATE IMPACT OF REFORM IS A SMALL UPWARD ADJUSTMENT IN RATES ON TERM DEPOSITS WITH NO COMPETITION BETWEEN BANKS. THIS IS UNLIKELY TO GENERATE CONVERSIONS FROM DOLLARS TO PESOS. IT REMAINS TO BE SEEN HOW OFTEN BANK OF MEXICO WILL ADJCT THE MAXIMUM RATES. CALDERHEAD

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Message Attributes

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Control Number: n/a
Copy: SINGLE
Sent Date: 25-May-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Status: NATIVE
Subject: GOM BORROWING
TAGS: EFIN, MX
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